Ephraim Mogale Local Municipality

Annual Financial Statements
for the year ended 30 June 2019
Audited by - Office of the Auditor General South Africa (Polokwane office)
Published 30 August 2019

Ephraim Mogale Local Municipality
(Registration number LIM 471)
Annual Financial Statements for the year ended 30 June 2019

General Information

Legal form of entity	Category C Municipality
Nature of business and principal activities	Provision of basic services
Council	
Mayor	Cllr Kupa CR (Until 6 March 2019)
	Cllr Mothogwane MD (From 7 March 2019)
Speaker	Cllr Mothogwane MD (Until 7 March 2019)
	Cllr Modisha LB (From 7 March 2019)
Chief Whip	Cllr Modisha LB (Until 7 March 2019)
	Cllr Sedibane FS (From 7 March 2019)
Traditional leaders	Kgoshi - Lehwelere-Matlala MA
	Kgoshi - Matlala RD
	Kgoshi - Rahlagane MP
Councillors	Cllr Aphane MK
	Cllr Boshielo C
	Cllr De Beer FJC
	Cllr Jacobs PR
	Cllr Kekana MJ
	Cllr Lentsoane MC
	Cllr Lentsoane RM
	Cllr Mabaso TL
	Cllr Madileng DO
	Cllr Makanyane GN
	Cllr Makola ML
	Cllr Maloka MF
	Cllr Manasoe MT
	Cllr Mashigo MPM
	Cllr Mashoeshoe RHS
	Cllr Matlala MF
	Cllr Matji PT
	Cllr Mohlala R
	Cllr Moimana GMH
	Cllr Molatudi ML
	Cllr Monama M
	Cllr Motsepe MJ
	Cllr Kupa CR (From 7 March 2019)
	Cllr Sebothoma RG (Formerly Maiden Surname Cllr Phokwane RG)
	Cllr Ranoto P
	Cllr Sedibane FS (Until 7 March 2019)
	Cllr Sindana RR
	Cllr Tema SA
	Cllr Letsela N
	Cllr Tshiguvho EM
Grading of local authority	2
Capacity of local authority	Low Capacity
Municipal demarcation code	LIM 471
Accounting Officer	Mrs MM Mathebela (Suspended from 14 December 2018)
	Mr MJ Lekola (Acting from 14 December 2018)

General Information

Chief Finance Officer (CFO)	Mrs K Ramosibi (until 7 March 2019) Mr O Kekana (Acting from 14 December 2018 to 11 June 2019) Mr K Mabija (Acting from 11 June 2019)
Registered office	No. 13 Ficus street Civic centre Marble Hall Limpopo 0450
Business address	No. 13 Ficus street Civic centre Marble Hall Limpopo 0450
Postal address	PO Box 111 Marble Hall Limpopo 0450
Bankers	First National Bank (Primary bank account) ABSA Bank VBS - in liquidation Nedbank
Auditors	Audited by - Office of the Auditor General South Africa (Polokwane office)
Attorneys	Mohale Incorporated Attorneys Kgohlishi Abie Mamabolo Attorneys Noko Maimela Attorneys Machaka NC Incorporated Attorneys Lucky Thekiso Incorporated Attorneys Adv Jimmy Hlongwane

Index

The reports and statements set out below comprise the annual financial statements presented to the Council:

	Page
Accounting Officer's Responsibilities and Approval	4
Accounting Officer's Report	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10 - 15
Accounting Policies	16 - 40
Notes to the Annual Financial Statements	41 - 76

SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
SALGA	South African Local Government Association
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
CPI	Consumer Price Index
GIS	Geographic Information System
GLCCM	General Landfill Closure Costing Model

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented as part of these finacial statements.

It is certified in the accounting officer's report that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in notes to these annual financial statements arewithin the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on pages 6 to 76 which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2019 and were signed by:

Lekola MJ
Municipal Manager (Acting)

Friday, 30 August 2019

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2019.

1. Review of activities

Main business and operations

The municipality is engaged in provision of basic services.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the municipality was R 38 124 815 (2018: deficit R 59 947 867).

2. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus of R 1 002 037 928 and that the municipality's total assets exceed its liabillities by R 1 002 159 030.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is certain for the forseeable medium term revenue and expenditure framework and medium term budget periods as submitted to National Treasury. The only significant of uncertainty of these is that the accounting officer has to resolve the possible outcome of the placing under administration of VBS mutual bank that may place a restriction on expansion and capital projects funded from own funds by the municipality.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality	Changes
Mathebela MM	South African	(Currently suspended from 14 December 2018)
Lekola MJ	South African	(Currently acting from 14 December 2018)

Ephraim Mogale Local Municipality

(Registration number LIM 471)
Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Inventories	11	37 044 535	754 565
Receivables from exchange transactions *Restated	4&5	557 783	557 783
Receivables from non-exchange transactions	4&6	764 126	558 927
VAT receivable	9	1 228 843	-
Consumer debtors from exchange transactions	7	16 584 457	14 045 599
Consumer debtors from non exchange transactions	7	36 228 176	29 602 006
Cash and cash equivalents *Restated	3	107 550 221	68 645 417
		199 958 141	**114 164 297**
Non-Current Assets			
Investment property	12	60 102 001	87 629 001
Property, plant and equipment *Restated	13	829 563 948	842 814 841
Heritage assets	14	121 102	112 550
Eskom Deposits	8	520 469	450 463
		890 307 520	**931 006 855**
Total Assets		**1 090 265 661**	**1 045 171 152**
Liabilities			
Current Liabilities			
Finance lease obligation	17	-	235 884
Payables from exchange transactions	15	36 009 414	31 433 871
VAT payable	10	-	88 602
Consumer deposits	16	1 368 883	1 399 552
Unspent conditional grants and receipts	18	1 178 459	1 801 783
Provisions	19	285 568	285 568
		38 842 324	**35 245 260**
Non-Current Liabilities			
Employee benefit obligation	20	21 124 838	21 276 921
Provisions	19	28 139 469	24 623 315
		49 264 307	**45 900 236**
Total Liabilities		**88 106 631**	**81 145 496**
Net Assets		**1 002 159 030**	**964 025 656**
Reserves			
Revaluation reserve		121 102	112 550
Accumulated surplus		1 002 037 928	963 913 106
Total Net Assets		**1 002 159 030**	**964 025 656**

* See Note 48

Ephraim Mogale Local Municipality
(Registration number LIM 471)
Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods		165 466	149 607
Service charges *Restated	21	54 351 436	47 482 000
Rental of facilities and equipment		154 991	361 866
Licences and permits *Restated		3 270 546	4 106 130
Other income	22	1 056 984	816 776
Interest received	23	11 494 616	13 713 715
Total revenue from exchange transactions		**70 494 039**	**66 630 094**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	36 281 987	33 428 446
Transfer revenue and other receipts			
Government grants & subsidies	25	166 931 324	170 366 217
Basic Electricity levy		7 118 851	7 031 603
Fines, Penalties and Forfeits		1 290 350	1 010 220
Total revenue from non-exchange transactions		**211 622 512**	**211 836 486**
Total revenue		**282 116 551**	**278 466 580**
Expenditure			
Employee related costs	26	(77 768 320)	(74 433 473)
Remuneration of councillors	27	(13 825 840)	(13 388 894)
Repairs and Maintenance		(6 112 877)	(5 445 836)
Depreciation and amortisation *Restated	28	(47 002 588)	(46 360 334)
Impairment loss VBS Bank	50	-	(83 658 548)
Finance costs (Current service cost remapped to salaries)	29	(3 760 434)	(3 597 669)
Rental Expense		(2 386 012)	(1 606 980)
Debt Impairment	30	(12 472 193)	(20 840 867)
Bad debts written off	30	-	(5 785 065)
Bulk purchases	31	(33 910 689)	(30 469 771)
Contracted services	32	(13 789 218)	(14 551 505)
Grants and Subsidies		(2 909 536)	(2 571 011)
General Expenses	33	(41 201 701)	(40 023 886)
Total expenditure		**(255 139 408)**	**(342 733 839)**
Operating surplus (deficit)		**26 977 143**	**(64 267 259)**
Profit / (Loss) on disposal of fixed assets		(1 122 112)	(137 551)
Fair value adjustments	34	9 343 000	1 094 300
Actuarial gains/losses	20	2 926 784	3 362 643
		11 147 672	**4 319 392**
Surplus (deficit) for the year		**38 124 815**	**(59 947 867)**

* See Note 48

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	106 798	1 018 620 652	1 018 727 450
Adjustments			
Correction of prior period error	-	5 240 321	5 240 321
Balance at 01 July 2017 as restated*	**106 798**	**1 023 860 973**	**1 023 967 771**
Changes in net assets			
Surplus for the year	-	(59 947 867)	(59 947 867)
Changes in revaluation surplus arising from changes in existing decommissioning, restoration and similar liabilities	5 752	-	5 752
Total changes	5 752	(59 947 867)	(59 942 115)
Opening balance as previously reported	112 550	957 767 799	957 880 349
Adjustments			
Prior year adjustments	-	6 145 314	6 145 314
Balance at 01 July 2018 as restated*	**112 550**	**963 913 113**	**964 025 663**
Changes in net assets			
Surplus for the year	-	38 124 815	38 124 815
Changes in revaluation surplus arising from changes in existing decommissioning, restoration and similar liabilities	8 552	-	8 552
Total changes	8 552	38 124 815	38 133 367
Balance at 30 June 2019	**121 102**	**1 002 037 928**	**1 002 159 030**

* See Note 48

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Government grants and subsidies		166 308 000	172 043 305
Services *Restated		79 277 627	78 374 336
Interest income		11 494 616	10 055 167
Other receipts		1 222 450	6 983 199
		258 302 693	267 456 007
Payments			
Employee costs		(90 519 236)	(86 741 036)
Suppliers		(94 396 303)	(103 772 108)
Finance costs		(312 666)	(1 715 383)
Interest VBS Investment		-	(79 329)
		(185 228 205)	(192 307 856)
Net cash flows from operating activities	36	**73 074 488**	**75 148 151**
Cash flows from investing activities			
Purchase of property, plant and equipment *restated	13	(33 933 806)	(51 204 874)
Proceeds from sale of property, plant and equipment *restated	13	-	1 711 106
Capital investment VBS Investment		-	(80 000 000)
Net cash flows from investing activities		**(33 933 806)**	**(129 493 768)**
Cash flows from financing activities			
Finance lease payments		(235 884)	(1 834 665)
Net increase/(decrease) in cash and cash equivalents		**38 904 798**	**(56 180 282)**
Cash and cash equivalents at the beginning of the year		68 645 417	124 746 340
Bank Adjustment		-	79 359
Cash and cash equivalents at the end of the year	3	**107 550 215**	**68 645 417**

* See Note 48

Ephraim Mogale Local Municipality

(Registration number LIM 471)
Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference as per note 47
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	-	-	-	165 466	**165 466**	1
Service charges	54 232 000	3 800 000	**58 032 000**	54 351 436	**(3 680 564)**	2
Rental of facilities and equipment	225 000	(70 000)	**155 000**	154 991	**(9)**	3
Licences and permits	2 642 000	-	**2 642 000**	3 270 546	**628 546**	4
Other income - (rollup)	3 806 000	(114 000)	**3 692 000**	1 056 984	**(2 635 016)**	5
Interest received	15 294 000	(4 698 000)	**10 596 000**	11 494 616	**898 616**	6
Total revenue from exchange transactions	**76 199 000**	**(1 082 000)**	**75 117 000**	**70 494 039**	**(4 622 961)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	37 810 000	(2 156 000)	**35 654 000**	36 281 987	**627 987**	7
Transfer revenue						
Government grants & subsidies	166 308 500	1 802 000	**168 110 500**	166 931 324	**(1 179 176)**	8
Levies	-	-	-	7 118 851	**7 118 851**	9
Fines, Penalties and Forfeits	96 500	-	**96 500**	1 290 350	**1 193 850**	10
Total revenue from non-exchange transactions	**204 215 000**	**(354 000)**	**203 861 000**	**211 622 512**	**7 761 512**	
Total revenue	**280 414 000**	**(1 436 000)**	**278 978 000**	**282 116 551**	**3 138 551**	
Expenditure						
Personnel	(92 789 000)	1 883 000	**(90 906 000)**	(77 768 320)	**13 137 680**	11
Remuneration of councillors	(13 525 000)	-	**(13 525 000)**	(13 825 840)	**(300 840)**	12
Depreciation and amortisation	(47 700 000)	-	**(47 700 000)**	(47 002 588)	**697 412**	13
Finance costs	(448 000)	-	**(448 000)**	(3 760 434)	**(3 312 434)**	14
Lease rentals on operating lease	-	-	-	(2 386 012)	**(2 386 012)**	15
Debt Impairment	(17 679 000)	-	**(17 679 000)**	(12 472 193)	**5 206 807**	16
Repairs and maintenance	(12 214 000)	-	**(12 214 000)**	(6 112 877)	**6 101 123**	17
Bulk purchases	(34 341 000)	(2 059 000)	**(36 400 000)**	(33 910 689)	**2 489 311**	18
Contracted Services	(12 287 500)	(24 500)	**(12 312 000)**	(13 789 218)	**(1 477 218)**	19
Transfers and Subsidies	(2 652 500)	-	**(2 652 500)**	(2 909 536)	**(257 036)**	20
General Expenses	(50 627 000)	(3 107 500)	**(53 734 500)**	(41 201 701)	**12 532 799**	21
Total expenditure	**(284 263 000)**	**(3 308 000)**	**(287 571 000)**	**(255 139 408)**	**32 431 592**	
Operating surplus	**(3 849 000)**	**(4 744 000)**	**(8 593 000)**	**26 977 143**	**35 570 143**	
Loss on disposal of assets and liabilities	-	-	-	(1 122 112)	**(1 122 112)**	23
Fair value adjustments	-	-	-	9 343 000	**9 343 000**	22
Actuarial gains/losses	-	-	-	2 926 784	**2 926 784**	23
	-	-	-	**11 147 672**	**11 147 672**	
Surplus before taxation	**(3 849 000)**	**(6 545 000)**	**(10 394 000)**	**38 124 815**	**48 518 815**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference as per note 47
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**28 974 000**	**(4 743 000)**	**24 231 000**	**38 124 815**	**13 893 815**	

Reconciliation

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference as per note 47
Statement of Financial Position						
Assets						
Current Assets						
Inventories	820 000	-	**820 000**	37 044 535	**36 224 535**	24
Other financial assets	-	-	-	557 783	**557 783**	24
Receivables from non-exchange transactions	-	-	-	764 126	**764 126**	24
VAT receivable	-	-	-	36 973 830	**36 973 830**	24
Consumer debtors	31 600 000	-	**31 600 000**	52 812 633	**21 212 633**	
Eskom Deposits	-	-	-	520 469	**520 469**	24
Cash and cash equivalents *Restated	124 314 000	-	**124 314 000**	107 550 221	**(16 763 779)**	24
	156 734 000	-	**156 734 000**	**236 223 597**	**79 489 597**	
Non-Current Assets						
Investment property	89 000 000	-	**89 000 000**	60 102 001	**(28 897 999)**	24
Property, plant and equipment *Restated	840 000 000	-	**840 000 000**	829 563 948	**(10 436 052)**	24
Heritage assets	-	-	-	121 102	**121 102**	24
	929 000 000	-	**929 000 000**	**889 787 051**	**(39 212 949)**	
Total Assets	**1 085 734 000**	-	**1 085 734 000**	**1 126 010 648**	**40 276 648**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	39 000 000	-	**39 000 000**	36 009 413	**(2 990 587)**	25
VAT payable	-	-	-	35 744 987	**35 744 987**	
Consumer deposits	-	-	-	1 368 883	**1 368 883**	25
Unspent conditional grants and receipts	1 200 000	-	**1 200 000**	1 178 459	**(21 541)**	25
Provisions	-	-	-	285 568	**285 568**	25
	40 200 000	-	**40 200 000**	**74 587 310**	**34 387 310**	
Non-Current Liabilities						
Employee benefit obligation	201 000	-	**201 000**	21 124 838	**20 923 838**	25
Provisions	30 000 000	-	**30 000 000**	28 139 469	**(1 860 531)**	25
	30 201 000	-	**30 201 000**	**49 264 307**	**19 063 307**	
Total Liabilities	**70 401 000**	-	**70 401 000**	**123 851 617**	**53 450 617**	
Net Assets	**1 015 333 000**	-	**1 015 333 000**	**1 002 159 031**	**(13 173 969)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	-	(1 000 000)	**(1 000 000)**	121 102	**1 121 102**	26
Rounding amount	-	-	-	(7)	**(7)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference as per note 47
Accumulated surplus	1 015 333 000	1 000 000	**1 016 333 000**	1 002 037 936	**(14 295 064)**	26
Total Net Assets	**1 015 333 000**	**-**	**1 015 333 000**	**1 002 159 031**	**(13 173 969)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference as per note 47
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Receipt from goods, services, rates and fines	73 634 000	-	**73 634 000**	78 162 958	**4 528 958**	27
Grants	166 308 000	-	**166 308 000**	172 043 305	**5 735 305**	27
Interest income	15 294 000	-	**15 294 000**	-	**(15 294 000)**	27
Other income	6 769 000	-	**6 769 000**	6 983 199	**214 199**	27
	262 005 000	-	**262 005 000**	**257 189 462**	**(4 815 538)**	
Payments						
Employee costs	(106 313 000)	1 883 000	**(104 430 000)**	(86 741 036)	**17 688 964**	27
Suppliers	(111 378 000)	(1 883 000)	**(113 261 000)**	(103 622 920)	**9 638 080**	27
Other payments	-	-	-	(1 715 383)	**(1 715 383)**	27
	(217 691 000)	-	**(217 691 000)**	**(192 079 339)**	**25 611 661**	
Net cash flows from operating activities	**44 314 000**	-	**44 314 000**	**65 110 123**	**20 796 123**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference as per note 47
Cash flows from investing activities						
Capital Assets	(44 654 000)	-	**(44 654 000)**	-	**44 654 000**	28
Cash flows from financing activities						
Repayment of borrowing	(1 535 000)	-	**(1 535 000)**	-	**1 535 000**	29
Net increase/(decrease) in cash and cash equivalents	(1 875 000)	-	**(1 875 000)**	65 110 123	**66 985 123**	
Cash and cash equivalents at the beginning of the year	124 746 000	-	**124 746 000**	-	**(124 746 000)**	30
Cash and cash equivalents at the end of the year	**122 871 000**	-	**122 871 000**	**65 110 123**	**(57 760 877)**	
Reconciliation						

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures are rounded to the nearest rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies are disclosed below.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables is calculated on a portfolio basis. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Allowance for slow moving, damaged and obsolete inventory

An assessment is made of net realisable value at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus or deficit.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Value in use of cash generating assets

The municipality reviews and tests the carrying value of cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as exchange rates, inflation and interest rates.

Value in use of non-cash generating assets

The municipality reviews and tests the carrying value of non-cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Goodwill is tested on an annual basis for impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

Post retirement benefits and other long-term benefits

The present value of the post retirement and long-term benefit obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement and long-term benefit obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement and long-term benefit obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension or other long-term liability. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in Note 20.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

The municipality uses the government bond rate to discount future cash flows.

Allowance for impairment of financial assets

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services, or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

The gains or losses arising from the retirement or disposal of investment property are the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

- Managements' intended usage of the property; and
- the extent to which it is owner occupied.

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements refer note 28.

Accounting Policies

1.4 Property, plant and equipment *Restated

Property, plant and equipment *Restated are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment *restated is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment *Restated are initially measured at cost.

The cost of an item of property, plant and equipment *restated is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment *restated is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment *restated have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment *restated.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment *restated and costs incurred subsequently to add to, replace part of, or service it. If a replacement part is recognised in the carrying amount of an item of property, plant and equipment *restated, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment *restated, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment *restated ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plan and equipment.In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment *restated and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment *restated. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment *Restated is depreciated over the expected useful lives to the estimated residual value. The depreciation charge for each period is recognised in surplus or deficit. Small assets with cost or deemed cost of less than R1000 will not be subject to perpetual restatement of useful life. Management indicated that due to the nature of these item like chairs and dustbins, once the initial depreciation period has passed it will be deemed to be fully used and any futher use to be incidential by nature and that asset values should not be attached to these high risk incidential benefits.

Property, plant and equipment *Restated is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment *restated have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	20-30 years

Accounting Policies

1.4 Property, plant and equipment *Restated (continued)

Community assets	Straight line	5-25 years
Infrastructure assets	Straight line	2-100 years
IT equipment	Straight line	3-10 years
Land	Straight line	Indefinite
Landfill site	Straight line	2-100 years
Community Assets	Straight line	10-100 years
Motor vehicle	Straight line	5 years
Office equipment	Straight line	4-7 years
Plant and machinery	Straight line	10-100 years
Leased assets	Straight line	3-10 years

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Assets of the property, plant and equipment *restated are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment *restated is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment *restated is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment *restated in the notes to the financial statements refer note 32.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements refer note 12.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore certain items of property, plant and equipment *restated. Such obligations are referred to as 'decommissioning, rehabilitation and similar liabilities'. The cost of an item of property, plant and equipment *restated includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;

(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and

(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of non-cash-generating assets.

1.6 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality recognises heritage assets as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value can be measured reliably.

Accounting Policies

1.6 Heritage assets (continued)

When the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information of such heritage asset is disclosed in note 14 - Heritage assets.

Heritage assets are initially measured at cost.

When a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent to initial measurement after recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at a date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

The municipality derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from its used or disposal.

The gain or loss arising from the derecognition of a heritage asset is the difference between the net disposal proceeds and the carrying amount and is included in surplus or deficit when the item is derecognised.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements refer note 28.

1.7 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating asset are as follows:
The extent to which the asset is used for service delivery.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset is initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

1.7 Impairment of cash-generating assets (continued)

Value in use

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.8 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating asset are as follows:
The extent to which the asset is used for service delivery.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

1.8 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

Accounting Policies

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Classification

Class	Category
Cash and cash equivalents *Restated	Financial asset measured at amortised cost
Trade and other receivables from exchange transactions	Financial asset measured at amortised cost
Trade and other receivables from non exchange transactions	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at fair value
Unspent conditional grants	Financial liability measured at fair value

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

1.9 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants will consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in the carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Accounting Policies

1.9 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.10 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Recognition

The municipality recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

1.10 Statutory receivables (continued)

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- significant financial difficulty of the receivable, which may be evidenced by an application for debt counselling, business rescue or an equivalent;
- it is probable that the receivable will enter sequestration, liquidation or other financial re-organisation;
- a breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied); and
- adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:
- the rights to the cash flows from the receivable are settled, expire or are waived;

1.10 Statutory receivables (continued)

- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the receivable; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The municipality considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Inventories (continued)

Inventory - unsold property held for sale

Unsold properties that was approved for sale by the Council is held as inventory. The properties previously held as investment property at market value is transferred in terms of GRAP 16 and GRAP 12 at market value as the deemed cost of the individual properties. The market value is then considered to be the deemed cost are then considered as the carrying value of the item from the date transferred to unsold properties held for sale.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occur.

1.12 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the VAT Act No.89 of 1991.

1.13 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered services to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

Post-employment benefits

1.13 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

The municipality accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- actuarial gains and losses;
- past service cost.

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

Accounting Policies

1.13 Employee benefits (continued)

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other long-term employee benefits

The municipality has an obligation to provide other long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method to determine is the present value of the obligations.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts.

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- actuarial gains and losses, which shall all be recognised immediately.

1.13 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either.

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

1.14 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

Where the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.7 and 1.8.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.15 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited / debited against accumulated surplus / deficit. Prior year adjustments, relating to income and expenditure, are credited / debited against accumulated surplus when retrospective adjustments are made.

1.16 Accounting by principals and agents

Identification

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

The assessment of whether the municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the municipality re-assesses whether it act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Accounting Policies

1.16 Accounting by principals and agents (continued)

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.17 Revenue from exchange transactions

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest and dividends

Revenue arising from the use by others of municipal assets yielding interest and dividends or similar distributions is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Accounting Policies

1.18 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

1.18 Revenue from non-exchange transactions (continued)

Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting municipality.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognises services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

Concessionary loans received

A concessionary loan is a loan granted to or received by the property, plant and equipment *restated on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, are exchange transactions and are accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

1.19 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Accounting Policies

1.21 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilitiFs in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as revenue and the contractual receipts are recognised as an operating lease asset or liability.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in the statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Any contingent rents are expensed in the period in which they are incurred.

1.22 Grant in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:
- receive any goods or services directly in return, as would be expected in a purchase of sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving raise to the transfer occurred.

1.23 Comparative figures

Reclassification of certain accounts were made in order to comply with the requirements of Municipal Standard Chart of Accounts (MSCOA). The reclassifications have no impact on the net asset value of the municipality

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 47.

Accounting Policies

1.24 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.25 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.27 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy.

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore must be provided in the notes.

1.28 Budget information

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/06/01 to 2018/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.29 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Accounting Policies

1.29 Related parties (continued)

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.30 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Figures in Rand	2019	2018 Restated

2. New standards and interpretations

2.1 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2099	The impact of the is not material.
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2099	The impact of the is not material.
• GRAP 104 (revised): Financial Instruments	01 April 2099	The impact of the is not material.

2.2 Standards and Interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• Directive 7 (revised): The Application of Deemed Cost	01 April 2019	Unlikely there will be a material impact
• Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges	01 April 2019	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2019	Unable to reliably estimate the impact
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact

3. Cash and cash equivalents *Restated

Cash and cash equivalents consist of:

	2019	2018 Restated
Cash on hand	5 020	5 000
Bank balances	107 545 201	68 640 417
	107 550 221	**68 645 417**

Figures in Rand	2019	2018

3. Cash and cash equivalents *Restated (continued)

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings or historical information about counterparty default rates.

During the financial year VBS Mutual bank experienced financial difficulties which led to breach of contracts when some of the matured investments and deposits could not be honoured. The reserve bank has placed VBS Mutual bank under curatorship in 2018. The Municipality had a short term deposit of R 83 658 548. The Municipality accounts for short term deposits as financial assets carried at amortised cost. The curator and National Treasury have only guaranteed retail depositors up to R100 000 per depositor, corporate and Municipalities deposits are not guaranteed. The Municipality has impaired the total investment of R 83 658 548 since there are no future cash flow expected from the VBS Mutual bank. The letter issued by the curator on the 11th March 2018 stated that the bank will cease to accrue further interest as at the date it has been placed under curatorship. As such the R83 658 548 has been determined using a straight line method to accrue interest since end of February and 11 March 2018.

The municipality did not receive any confirmation from the curator and it was confirmed that the investment should be fully impaired for the financial year ending 30 June 2019.

Credit rating		
AAA	107 412 800	68 643 774
Other	84 076 833	84 076 833
	191 489 633	**152 720 607**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
First National Bank - Cheque account	107 412 800	68 643 774	16 840 104	107 550 135	68 645 367	16 259 934
First National Bank - Cheque account	-	-	-	107	107	107
ABSA Bank account	-	-	81 257 084	(5 060)	(5 060)	82 971 462
Nedbank Call Account	-	-	25 509 837	-	-	25 509 837
Cash on hand	2 338	6 200	-	5 020	5 000	5 000
VBS BANK - Long Term Deposit	84 076 833	84 076 833	-	-	-	-
Total	**191 491 971**	**152 726 807**	**123 607 025**	**107 550 202**	**68 645 414**	**124 746 340**

4. Receivables

Gross balances		
Receivables- other	557 783	557 783
Fines	6 223 361	5 019 711
	6 781 144	**5 577 494**

Less: Allowance for impairment		
Fines	(5 459 235)	(4 460 784)

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

4. Receivables (continued)

Net balance

Receivables- other	557 783	557 783
Fines	764 126	558 927
	1 321 909	**1 116 710**

Fines

Current (0 -30 days)	97 000	57 000
31 - 60 days	13 100	58 000
61 - 90 days	132 950	59 750
91 - 120 and over days	5 980 311	4 844 961
Less : Impairment of fines	(5 459 235)	(4 460 784)
	764 126	**558 927**

Other (specify)

> 365 days	557 783	557 783

Reconciliation of allowance for impairment

Balance at beginning of the year	(4 460 784)	(3 390 780)
Contributions to allowance	(998 451)	(1 070 004)
	(5 459 235)	**(4 460 784)**

5. Receivables from exchange transactions *Restated

Operational and Sundry debtors	557 783	557 783

Receivables from exchange transactions pledged as security

None of the receivables were pledged as a security.

6. Receivables from non-exchange transactions

Fines	764 126	558 927

Receivables from non-exchange transactions pledged as security

None of the receivables were pledged as security.

7. Consumer debtors

Gross balances

Rates	74 230 113	61 544 932
Electricity	7 963 104	6 869 860
Refuse	3 784 052	3 194 415
Basic electricity - Non Exchange	4 714 938	4 084 552
Other (specify)	27 729 643	22 089 321
	118 421 850	**97 783 080**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

7. Consumer debtors (continued)

Less: Allowance for impairment		
Rates	(40 186 115)	(33 847 190)
Electricity	(3 916 441)	(3 427 668)
Refuse	(2 576 707)	(2 119 230)
Basic electricity - Non Exchange	(2 530 760)	(2 180 289)
Other (specify)	(16 399 194)	(12 561 098)
	(65 609 217)	**(54 135 475)**

Net balance		
Rates	34 043 998	27 697 742
Electricity	4 046 663	3 442 192
Refuse	1 207 345	1 075 185
Basic electricity - Non Exchange	2 184 178	1 904 263
Other	11 330 449	9 528 223
	52 812 633	**43 647 605**

Included in above is receivables from exchange transactions		
Electricity	4 046 663	3 442 192
Refuse	1 207 345	1 075 185
Other	11 330 449	9 528 222
	16 584 457	**14 045 599**

Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	34 043 998	27 697 742
Basic electricity - non exchange	2 184 178	1 904 263
	36 228 176	**29 602 005**

Net balance	**52 812 633**	**43 647 604**

Rates		
Current (0 -30 days)	2 841 704	8 021 364
31 - 60 days	1 444 761	1 380 427
61 - 90 days	1 417 124	1 302 084
91 - 365 days and more than one year	68 526 524	52 223 305
Less : Allowance for impairment	(40 186 115)	(33 847 190)
Rates correction 2018 overbilled	-	(1 382 248)
	34 043 998	**27 697 742**

Electricity		
Current (0 -30 days)	3 382 271	3 235 252
31 - 60 days	1 344 198	217 994
61 - 90 days	77 262	164 838
91 - 365 days and more than one year	3 159 372	3 251 775
Less : Allowance for impairment	(3 916 440)	(3 427 667)
	4 046 663	**3 442 192**

Figures in Rand	2019	2018

7. Consumer debtors (continued)

Refuse		
Current (0 -30 days)	314 830	271 487
31 - 60 days	101 625	111 962
61 - 90 days	94 554	99 244
91 - 365 days and more than one year	3 273 044	2 711 723
Less : Allowance for impairment	(2 576 708)	(2 119 231)
	1 207 345	**1 075 185**

Basic electricity - non exchange		
Current (0 -30 days)	569 042	601 300
31 - 60 days	143 768	173 331
61 - 90 days	130 963	128 269
91 - 365 days and more than one year	3 871 165	3 181 652
Less : Allowance for impairment	(2 530 760)	(2 180 289)
	2 184 178	**1 904 263**

Other (specify)		
Current (0 -30 days)	1 332 781	2 407 614
31 - 60 days	900 200	582 454
61 - 90 days	688 066	558 047
91 - 365 days and more than one year	24 808 595	18 541 205
Less : Allowance for impairment	(16 399 193)	(12 561 097)
	11 330 449	**9 528 223**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

7. Consumer debtors (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	2 371 653	8 349 851
31 - 60 days	2 228 411	755 480
61 - 90 days	750 080	684 635
91 - 365 days and more than one year	35 588 298	23 812 893
	40 938 442	33 602 859
Less: Allowance for impairment	(20 451 183)	(15 935 863)
	20 487 259	**17 666 996**
Industrial/ commercial		
Current (0 -30 days)	6 039 519	6 092 375
31 - 60 days	1 698 766	1 652 007
61 - 90 days	1 652 882	1 507 043
91 - 365 days and more than one year	67 794 784	55 242 112
Rates correction 2018 overbilled	-	(1 382 248)
	77 185 951	63 111 289
Less: Allowance for impairment	(45 006 055)	(37 657 854)
	32 179 896	**25 453 435**
National and provincial government		
Current (0 -30 days)	29 455	94 791
31 - 60 days	7 374	60 681
61 - 90 days	5 007	60 803
91 - 120 days	297 455	854 655
	339 291	1 070 930
Less: Allowance for impairment	(151 980)	(541 758)
	187 311	**529 172**
Total		
Current (0 -30 days)	8 440 627	14 537 017
31 - 60 days	3 934 551	2 466 168
61 - 90 days	2 407 971	2 252 481
91 - 120 days	103 638 702	79 909 662
Rates correction 2018 overbilled	-	(1 382 248)
	118 421 851	97 783 080
Less: Allowance for impairment	(65 609 218)	(54 135 475)
	52 812 633	**43 647 605**
Less: Allowance for impairment		
Total	(65 609 217)	(54 135 475)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(54 135 475)	(34 364 613)
Contributions to allowance	(11 473 742)	(19 770 862)
	(65 609 217)	**(54 135 475)**

8. Eskom Deposits

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

8. Eskom Deposits (continued)

Eskom Deposit	520 469	450 463

A security deposit of 2018/2019 R 520 469 (2017/2018: R 450 463) is held by Eskom who is the bulk electricity supplier of the municipality. Eskom pays interest on the security deposit annually and it is held as a security for payment of the Eskom accounts of the municipality.

9. VAT

The Municipality is registered on the Cash basis for Value Added Tax.

10. VAT receivable and payable

Tax refunds payables	(35 744 987)	(33 289 476)
Tax refunds receivables	36 973 830	33 200 874
	1 228 843	**(88 602)**

11. Inventories

Consumables	1 114 535	754 565
Unsold Properties Held for Resale	35 930 000	-
	37 044 535	**754 565**

Inventory classification

Consumables are held in stock for use in the municipalities day to day operations. This is then drawn from the account on an as need basis.

Unsold Properties Held for Resale is unsold stands are held in inventory as the Council resolved to sell stands in Extension 6. These stands are available for sale and due processes are being put in place for the sale thereof. These stands were transferred from investment properties during the 2018/2019 financial year.

12. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property land	60 102 001	-	60 102 001	87 629 001	-	87 629 001

Reconciliation of investment property - 2019

	Opening balance	Disposals	Transfers	Fair Value Adjustments	Total
Investment property land	87 629 001	(940 000)	(35 930 000)	9 343 000	60 102 001

Figures in Rand	2019	2018

12. Investment property (continued)

Reconciliation of investment property - 2018

	Opening balance	Disposals	Fair Value Adjustments	Total
Investment property land	87 699 701	(1 165 000)	1 094 300	87 629 001

Pledged as security

None of the above investment property has been pledged as a security.

There are no restrictions on the realisability of investment property or the remittance of the revenue and proceeds of disposal.

The municipality does not have any contractual obligation to purchase, construct or develop investment property or for repair, maintenance or enhancement as at the end of the period under review.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was Sunday, 30 June 2019. Valuations were performed by an independent valuer, Manna Holdings (Pty) Ltd, that are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on the land and improvement value methodology, referring to the costing approach i.e. the replacement value less provisional depreciation for improvements plus land value. Both the land and building costing were based on comparable data and statistical analyses.

13. Property, plant and equipment *Restated

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	5 975 219	-	5 975 219	5 975 219	-	5 975 219
Buildings	38 494 655	(12 261 919)	26 232 736	38 332 308	(10 984 855)	27 347 453
Plant and machinery	28 009 385	(13 504 514)	14 504 871	26 914 260	(10 801 939)	16 112 321
Motor vehicles	9 623 748	(4 502 789)	5 120 959	9 623 748	(3 206 150)	6 417 598
Office equipment	6 473 939	(3 970 041)	2 503 898	5 826 541	(3 456 331)	2 370 210
IT equipment	2 948 340	(1 644 146)	1 304 194	2 750 654	(1 284 111)	1 466 543
Infrastructure	1 027 487 614	(329 208 475)	698 279 139	1 004 113 423	(289 946 232)	714 167 191
Community	27 054 739	(5 352 873)	21 701 866	26 311 587	(4 444 757)	21 866 830
Work in progress	52 023 487	-	52 023 487	44 697 623	-	44 697 623
Leased assets	8 112 668	(6 195 089)	1 917 579	8 112 668	(5 718 815)	2 393 853
Total	**1 206 203 794**	**(376 639 846)**	**829 563 948**	**1 172 658 031**	**(329 843 190)**	**842 814 841**

Notes to the Annual Financial Statements

Figures in Rand

13. Property, plant and equipment *Restated (continued)

Reconciliation of property, plant and equipment *restated - 2019

	Opening balance	Additions	Disposals	Transfers received	Other changes, movements	Depreciation	Total
Land	5 975 219	-	-	-	-	-	5 975 219
Buildings	27 347 453	169 344	(6 998)	-	2 800	(1 279 863)	26 232 736
Plant and machinery	16 112 321	1 312 843	(217 718)	-	70 114	(2 772 689)	14 504 871
Motor vehicles	6 417 598	-	-	-	-	(1 296 639)	5 120 959
Office equipment	2 370 210	721 501	(74 104)	-	73 563	(587 272)	2 503 898
IT equipment	1 466 543	286 912	(89 226)	-	59 458	(419 493)	1 304 194
Infrastructure	714 167 191	565 864	-	22 808 326	-	(39 262 242)	698 279 139
Community	21 866 830	743 152	-	-	-	(908 116)	21 701 866
Work in progress	44 697 623	30 134 190	-	(22 808 326)	-	-	52 023 487
Leased assets	2 393 853	-	-	-	-	(476 274)	1 917 579
	842 814 841	**33 933 806**	**(388 046)**	**-**	**205 935**	**(47 002 588)**	**829 563 948**

Reconciliation of property, plant and equipment *restated - 2018

	Opening balance	Additions	Disposals	Transfers received	Accumulated depreciation adjustment *Restated	Other changes, movements	Depreciation *Restated	Total
Land	5 975 219	-	-	-	-	-	-	5 975 219
Buildings	28 347 738	270 800	-	-	-	-	(1 271 085)	27 347 453
Plant and machinery	16 150 721	1 450 040	(2 440 802)	-	1 521 141	2 094 236	(2 662 915)	16 112 321
Motor vehicles	4 728 038	977 077	-	-	1 826 556	-	(1 114 073)	6 417 598
Office equipment	2 039 839	149 170	(463 567)	-	929 288	352 516	(637 036)	2 370 210
IT equipment	1 454 410	447 505	(293 980)	-	102 612	174 350	(418 354)	1 466 543
Infrastructure	691 025 069	2 560 297	(160 199)	58 885 206	-	53 889	(38 197 071)	714 167 191
Community	21 868 242	649 293	-	233 560	-	-	(884 265)	21 866 830
Work in progress	59 080 858	44 735 531	-	(59 118 766)	-	-	-	44 697 623
Leased assets	3 569 387	-	-	-	-	-	(1 175 534)	2 393 853
	834 239 521	**51 239 713**	**(3 358 648)**	**-**	**4 379 597**	**2 674 991**	**(46 360 333)**	**842 814 841**

Figures in Rand	2019	2018

13. Property, plant and equipment *Restated (continued)

Pledged as security

None of the above property, plant and equipment have been pledged as security.

Assets subject to finance lease (Net carrying amount)

	2019	2018
Vehicles and heavy machinery	1 917 579	2 393 853

14. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Sculptures	65 230	-	65 230	59 300	-	59 300
Artefacts	500	-	500	500	-	500
Mayoral chains	55 372	-	55 372	52 750	-	52 750
Total	**121 102**	**-**	**121 102**	**112 550**	**-**	**112 550**

Reconciliation of heritage assets 2019

	Opening balance	Revaluation increase/(decrease)	Total
Sculptures	59 300	5 930	65 230
Artefacts	500	-	500
Mayoral chains	52 750	2 622	55 372
	112 550	**8 552**	**121 102**

Reconciliation of heritage assets 2018

	Opening balance	Revaluation increase/(decrease)	Total
Sculptures	54 300	5 000	59 300
Artefacts	500	-	500
Mayoral chains	51 998	752	52 750
	106 798	**5 752**	**112 550**

Pledged as security

Carrying value of heritage assets pledged as security:

[Insert terms and conditions here where terms and conditions are the same]

Figures in Rand	2019	2018

14. Heritage assets (continued)

Revaluations

Mayoral chains & sculptures

Heritage assets held by the municipality have an unlimited lifespan. The materials utilised in the manufacturing process are the true value of these items and the municipality valued these materials on the following.

The mayoral chains were valued by independent valuers, Messer's Benjamin Jewellers of Groblersdal, the effective date being 30 June 2019. The key values for gold was utilised per gram of gold at the spot rate R13.77 / dollar. The valuations were performed utilising standards set by the Jewellery Council of South Africa of which the company is a member of.

The sculptures (memorial stones) were valued by the independent valuers, Messer's van Wyk Tombstones of Marblehall on a replacement cost value. The effective date of valuation being 30 June 2019. These items were valued utilising cost effective methods as they are relatively low value items and management deemed these valuations fair and reasonable for the items disclosed.

Restrictions on the distribution of the balance of the revaluation reserve to owners of net assets are as follows:

15. Payables from exchange transactions

Trade payables	12 165 597	7 054 427
Accrued leave	6 692 376	6 790 547
Accrued 13th cheque	1 702 403	1 575 038
Retentions	11 546 441	11 266 559
Credit balances on receivables	3 231 872	4 319 460
Accrued salaries	50 656	68 806
Other creditors	66 271	66 271
Unallocated deposit account	450 329	43 311
License and Motor vehicle agency function- *Restated	103 469	249 452
	36 009 414	**31 433 871**

16. Consumer deposits

Electricity	1 368 883	1 399 552

On application for the provision of municipal services the prescribed consumer deposit shall be paid. The minimum deposit payable is determined annually by the council and is contained in the tariff book produced annually.

17. Finance lease obligation

Minimum lease payments due		
- within one year	-	238 348
	-	238 348
less: future finance charges	-	(2 464)
Present value of minimum lease payments	**-**	**235 884**
Present value of minimum lease payments due		
- within one year	-	235 884

It is municipality policy to lease certain motor vehicles and heavy machinery under finance leases.

The average lease term was 4 - 5 years and the average effective borrowing rate was -% (2018: 9%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

17. Finance lease obligation (continued)

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 13.

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	1 178 459	1 801 783

Movement during the year

Balance at the beginning of the year	1 801 783	124 695
Additions during the year	36 632 000	44 810 000
Income recognition during the year	(37 255 324)	(43 008 217)
Amount repaid to National Treasury for the period	-	(124 695)
	1 178 459	**1 801 783**

See note 25 for reconciliation of grants from National/Provincial Government.

19. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Interest Charge	Change in discount factor	Total
Environmental rehabilitation	24 623 315	1 718 831	1 797 323	28 139 469
Legal proceedings	285 568	-	-	285 568
	24 908 883	**1 718 831**	**1 797 323**	**28 425 037**

Reconciliation of provisions - 2018

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	17 206 381	7 416 934	24 623 315
Legal proceedings	285 568	-	285 568
	17 491 949	**7 416 934**	**24 908 883**

Non-current liabilities	28 139 469	24 623 315
Current liabilities	285 568	285 568
	28 425 037	**24 908 883**

19. Provisions (continued)

Environmental rehabilitation provision

The environment rehabilitation provision relates to the decommissioning and rehabilitation of the landfill site situated on part of portion 476 of the Farm Loskop-Noord.

Major uncertainties surround the final decommissioning and rehabilitation costs at the end of the useful life and the remaining useful life of the landfill site.

The 2019 and 2018 valuation was performed by Mr Seakle Godschalk (*Pr Sci Nat, GIMFO)* and Dr Maryana Mohr - Swart, both partners in Environmental & Sustainability Solutions (ESS).

The effective date of the latest valuation is 30 June 2019. Unit costs for each of the cost elements are obtained annually by means of a commercial quotation. Details of this are provided separately. The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end. The average of the CPI for the last three months amounted to 4.1947 % (4.4805% : 2018). The government bond rate most consistent with the remaining life of the landfill published at the end of the quarter that includes the financial year-end date was used as the discount rate. For this landfill the rate associated with the maximum period of 10 years was used, i.e. 2.5% above CPI. The current discount rate used for 30 June 2019 is calculated as 7.6947% (6.9805% : 2018)

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

20. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

The employer's post-employment benefit health care liability consists of a commitment to pay a portion of the pensioners' post-employment medical scheme contributions. The liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member.

Long service awards

According to the rules of the long service awards scheme, which the municipality instituted and operates, an employee (who is on the current conditions service), is entitled to a cash allowances calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

The amounts recognised in the statement of financial position are as follows:

	2019	2018
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(17 509 058)	(17 875 370)
Present value of the defined benefit obligation-wholly unfunded	(3 615 778)	(3 401 549)
	(21 124 836)	**(21 276 919)**

Changes in the present value of the defined benefit obligation (medical aid benefit) are as follows:

	2019	2018
Opening balance	17 875 340	18 601 078
Benefits paid	(284 799)	(276 763)
Net expense recognised in the statement of financial performance	(81 513)	(448 975)
	17 509 028	**17 875 340**

Net expense of the defined benefit obligation (medical aid) recognised in the statement of financial performance

	2019	2018
Current service cost	995 969	1 087 428
Interest cost	1 728 922	1 840 114
Actuarial (gains) losses	(2 806 404)	(3 376 517)
	(81 513)	**(448 975)**

Changes in the present value of the long service award obligation are as follows:

	2019	2018
Opening Balance	3 401 550	3 195 998
Contributions by employer - Benefits Paid	(289 659)	(396 216)
Net Expense - contributions and valuation adjustments	503 887	601 768
	3 615 778	**3 401 550**

Net expense of the long service award recognised in the statement of financial performance

	2019	2018
Current service costs	347 823	338 860
Expected return	276 444	249 034
Actuarial gains (losses)	(120 380)	13 874
Contributions by employer - Benefits paid	(289 659)	(396 216)
	214 228	**205 552**

Key assumptions used

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

20. Employee benefit obligations (continued)

Assumptions used at the reporting date:

Discount rates used - Post employment continued medial aid	10.68 %	9.75 %
Discount rates used - Long service leave provision	8.18%	8.57%
Normal salary rate increase	5.43 %	6.18 %
Medical cost trend rates	7.98%	7.51%

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost - medical aid benefit - discount rate	(2 649 062)	3 289 469
Effect on the aggregate of the service cost and interest cost - Long service leave benefit	285 324	(246 604)
Effect on the aggregate of the service cost and interest cost - medical aid benefit - Inflation rate	3 588 918	(2 913 829)

Amounts for the current and previous four years are as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Defined benefit obligation	17 509 058	17 875 370	18 601 108	17 412 477	13 174 000
Plan assets	3 615 778	3 401 550	3 156 898	2 950 397	4 177 000

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

21. Service charges

Sale of electricity	50 357 907	43 573 207
Solid waste - Refuse removal	3 993 529	3 908 793
	54 351 436	**47 482 000**

22. Other income

Sundry income	57 659	59 567
Staff Recoveries (Councillors Tablets included)	569 008	418 377
Insurance Refunds	193 515	-
Fees	85 406	245 894
Claims of skills development	151 396	92 938
	1 056 984	**816 776**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

23. Interest received

Interest revenue

Interest on cash and cash equivalents	3 995 603	3 750 973
Interest on outstanding receivable balances	7 477 217	6 001 823
Interest on investments	21 796	3 960 919
	11 494 616	**13 713 715**

24. Property rates

Rates received

Agricultural	15 329 731	12 469 105
Business and commercial	10 312 735	9 623 497
Residential	7 531 509	8 156 615
State owned	3 108 012	3 179 229
	36 281 987	**33 428 446**

Valuations

Agricultural	2 420 033 647	2 420 033 647
Business and commercial	441 616 000	440 736 000
Educational	34 130 000	34 780 000
Municipal	36 198 500	34 800 500
Public benefit organisations	550 000	550 000
Public service infrastructure	1 571 100	1 571 100
Religious	26 225 000	26 225 000
Residential	977 665 000	972 506 000
State owned	4 802 000	4 800 000
Vacant	137 451 450	137 421 450
	4 080 242 697	**4 073 423 697**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. Manna Holdings Pty (Ltd) is an independant registered valuer cokpany and performed the valuation in terms of all the legal requirements.

Rates are levied on a month to month basis.

25. Government grants and subsidies

Operating grants

Equitable share	129 676 000	123 766 000
Financial Management Grant	2 215 000	2 145 000
Expanded Public Works Programme Grant	1 594 000	1 447 000
	133 485 000	**127 358 000**

Capital grants

Municipal Infrastructure Grant	33 446 324	43 008 217
	166 931 324	**170 366 217**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

25. Government grants and subsidies (continued)

Conditional grants received	37 311 023	46 600 217
Unconditional grants received	129 255 000	123 766 000
	166 566 023	**170 366 217**

Municipal Infrastructure Grant

Balance unspent at beginning of year	1 801 783	-
Current-year receipts	32 823 000	44 810 000
Conditions met - transferred to revenue	(33 446 324)	(43 008 217)
	1 178 459	**1 801 783**

This grant is for the provision of Municipal infrastructure.

Financial Management Grant

Current-year receipts	2 215 000	2 145 000
Conditions met - transferred to revenue	(2 215 000)	(2 145 000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

The grant is intended to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

Expanded Public Works Programme Grant

Balance unspent at beginning of year	-	124 695
Current-year receipts	1 594 000	1 447 000
Conditions met - transferred to revenue	(1 594 000)	(1 447 000)
Amount repaid to National Treasury for the period	-	(124 695)
	-	-

Conditions still to be met - remain liabilities (see note 18).

The grant is intended to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme Guidelines.

Equitable Share

Current-year receipts	129 255 000	123 766 000
Conditions met - transferred to revenue	(129 255 000)	(123 766 000)
	-	-

In terms of the constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

26. Employee related costs

Basic	48 281 060	46 141 434
Acting allowances	-	293 444
13th Cheque	3 639 154	3 443 611
Medical aid - company contributions	2 660 276	2 507 809
UIF	397 732	390 297
WCA	626 639	461 891
Other payroll levies Bargaining Counci	26 242	24 768
Leave pay provision charge	2 185 112	2 241 133
Group life insurance	157 401	134 125
Standby allowance	379 214	342 412
Short term benefit - Cellphone allowances	692 149	597 277
Defined contribution plans	9 653 389	9 010 173
Travel, motor car, accommodation, subsistence and other allowances - (Remapped Housing)	4 042 778	3 791 005
Overtime payments	1 735 566	1 723 277
Current service cost - long service awards bonusses	347 823	338 860
Housing benefits and allowances (Previous under other)	514 951	448 273
SETA levies	1 432 865	1 456 256
Current service cost - Post employment medical aid incentive scheme	995 969	-
Directors remuneration excluding reimbursive allowances	-	1 087 428
	77 768 320	**74 433 473**

Remuneration of Municipal manager: Mathebela MM - (Currently suspended)

Annual Remuneration	963 915	873 500
Travel and subsistence allowance	100 316	89 822
Performance Bonuses	-	1
Contributions to UIF, Medical and Pension Funds	154 994	134 624
Other Allowances	57 526	116 699
Backpay	29 915	25 675
Salga	105	99
Leave pay out	-	1
	1 306 771	**1 240 421**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

26. Employee related costs (continued)

Remuneration of chief finance officer: Ramosibi KA (Resigned 7 March 2019)

Annual Remuneration	578 674	814 631
Backpay	22 739	32 682
Travel and subsistence allowance	4 487	46 979
Contributions to UIF, Medical and Pension Funds	105 483	123 127
Leave payout	90 733	18 959
SALGA	79	99
Other allowance	48 149	17 044
	850 344	**1 053 521**

Remuneration of acting Posion - Chief Financial Officer - O Kekana

Acting Allowance	7 670	-

Person acted for the period August 2017 to June 2018

Remuneration of acting Posion - Chief Financial Officer - K Mabija

Acting Allowance	1 845	-

Person acted for the period August 2017 to June 2018

Remuneration of Director Corporate Services: Lekola MJ (Currently Acting Municipal Manager)

Annual Remuneration	651 314	488 464
Travel and subsistance allowance	6 566	17 695
Other allowances	78 565	14 204
Backpay	15 527	10 974
Contributions to UIF, Medical and Pension Funds	146 614	108 914
Leave payout	69 021	-
Acting allowance	99 143	31 977
SALGA	105	83
	1 066 855	**672 311**

Remuneration of acting position Director Corporate Services: Matseke MP

Acting allowance	5 072	-

Figures in Rand	2019	2018

26. Employee related costs (continued)

Remuneration of Director Technical Services: Monakedi ME (Resigned)

Performance Bonuses	-	21 905
Contributions to UIF, Medical and Pension Funds	-	149
Leave payout	-	86 520
Other allowances	-	1 084
	-	**109 658**

Remuneration of acting Posion - Director of Technical services - Ramatsela TJ

Acting Allowance	7 325	5 633

Person acted for the period August 2017 to June 2018

Remuneration of Director Community Services : Phaahla H

Annual Remuneration	645 796	571 813
Travel and subsistence allowance	4 914	25 037
Performance Bonuses	-	41 084
Contributions to UIF, Medical and Pension Funds	139 237	140 435
Backpay	15 277	16 413
Other allowances	50 777	17 044
SALGA	105	99
	856 106	**481 988**

Remuneration of acting position Director Community Services : Badenhorst CD

Acting Allowance	5 579	-

Remuneration of Director Planning and Development - S Mashiane

Annual Remuneration	44 015	194 817
Travel & subsistance allowance	10 990	16 290
Contributions to UIF, Medical and Pension Funds	8 572	20 832
Leave pay out	-	9 012
Other Allowances	2 399	4 261
SALGA	9	25
	65 985	**245 237**

Remuneration of Employees:

The remuneration of the employees and section 57 managers are within the upper limits as determined by the framework envisaged section 219 of the Constitution.

Remuneration of acting position - Director Planning and Development - Uwane MS

Acting allowance	-	10 077

Person acted for the period January 2018 to March 2018.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

26. Employee related costs (continued)

Director of Infastructure - Mashile PT

Annual Remuneration	492 002	-
Backpay	10 393	-
Travel & Subsistance	3 849	-
Contributions to UIF, Medical and Pension Funds	114 265	-
SALGA	79	-
Other	39 671	-
	660 259	**-**

27. Remuneration of councillors

Mayor	884 057	858 400
Chief Whip	687 680	700 584
Executive Councillors	2 921 882	2 804 526
Speaker	707 919	699 218
Councillors	8 034 423	8 326 166
Councillors cellphone and data allowances	589 879	-
	13 825 840	**13 388 894**

In-kind benefits

Remuneration of Councillors:
The remuneration of the political office bearers and councillors are within the upper limits as determined by the framework envisaged section 219 of the Constitution. Refer to note 38 for the detailed breakdown of councillors' remuneration.

28. Depreciation and amortisation

Property, plant and equipment *Restated	47 002 588	46 360 334

29. Finance costs

Finance leases	2 399	108 403
Landfill site	1 718 831	1 400 118
Post-retirement medical aid benefit	1 728 922	2 089 148
Long service awards	276 444	-
Other interest paid	33 838	-
	3 760 434	**3 597 669**

30. Debt Impairment

Contributions to debt impairment allowance	12 472 193	20 840 867
Bad debts written off	-	5 785 065
	12 472 193	**26 625 932**

31. Bulk purchases

Electricity	33 910 689	30 469 771

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

31. Bulk purchases (continued)

Electricity losses:

For the 2018/2019 financial year, distribution losses on electricity amounted to 1.63% (2017/18: 6%). The annual electricity distribution loss are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold.

32. Contracted services

	2019	2018
Presented previously		
Information Technology Services	3 206 565	3 623 438
Fleet Services and Security services	5 578 216	5 837 055
Valuation services	285 225	195 616
Specialist Services	986 751	1 304 162
Other Contractors	3 732 461	3 591 234
	13 789 218	**14 551 505**

33. General expenses

	2019	2018
Services: adverts and corporate image	470 319	596 410
Auditors remuneration	3 375 898	3 456 614
Bank charges	267 331	324 757
Cleaning and Municipal operating cost	1 078 676	421 449
Consulting - collection cost and legal fees	8 252 239	3 659 144
Consumables	696 996	767 251
Entertainment	16 504	10 092
Insurance	549 067	671 877
Community development	19 900	100 350
Conferences and seminars	3 017 233	3 112 042
Catering and Hire Charges	1 717 980	1 679 218
Marketing	405 773	786 302
Promotions and sponsorships	349 502	284 320
Skills Development Levies	613 955	675 922
Motor vehicle expenses	-	222 213
Fuel and oil	3 704 319	3 935 472
Postage and courier	217 599	200 795
Printing and stationery	2 350	68 998
Protective clothing	638 301	354 511
Royalties and license fees	-	47 240
Ward Committee stipend	1 732 000	1 782 000
CONLOG services	462 613	267 462
Staff welfare	55 400	123 996
Subscriptions and membership fees	1 141 030	956 930
Telephone and fax	1 133 004	1 155 148
Transport and freight	622 995	640 033
Training	91 438	531 214
Travel - local	1 541 146	1 497 519
Rehabilitation of landfill - current service cost	1 797 323	6 016 816
Assets expensed	15 045	50 553
Utilities - Other including increase in capacity 2019	6 317 844	2 907 957
License fee agency cost	-	382 476
Internal Audit outsourced and Audit committe	835 236	893 774
Sewerage consumer account - Now utilities	62 685	60 547
Strategic planning - Now contracted services	-	460 699
Other expenses - amounts written off by Council resolution	-	921 785
	41 201 701	**40 023 886**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

34. Fair value adjustments

Investment property (Fair value model)	9 343 000	1 094 300

35. Auditors' remuneration

Fees	3 375 898	3 456 614

36. Cash generated from operations

Surplus (deficit)	38 124 815	(59 947 867)
Adjustments for:		
Depreciation and amortisation *Restated	47 002 588	46 360 334
Gain or (Loss) - on sale of normal and heritage assets	1 122 112	137 551
Actuarial gain / losses	(2 926 784)	(3 362 643)
Fair value adjustments	(9 343 000)	(1 094 300)
Impairment deficit	-	80 000 000
Debt impairment	12 472 193	20 840 867
Landfill interest	1 718 831	6 016 816
Finance charges - landfill rehabilitation	1 797 323	1 400 118
Finance charges - employee benefits	2 774 701	2 089 148
Rehabilitation provision adjustment	-	753 310
Asset non cash adjustment	-	746 528
Changes in working capital:		
Inventories	(359 970)	(34 218)
Receivables from non exchange & consumer debtors *Restated	(3 485 107)	(3 798 635)
Receivables from non-exchange transactions and consumer debtors	(18 357 313)	(8 150 606)
Prepayments	(70 006)	(63 742)
Payables from exchange transactions	4 575 543	(11 110 005)
VAT	(1 317 445)	2 715 128
Unspent conditional grants and receipts	(623 324)	1 677 088
Consumer deposits	(30 669)	(26 721)
	73 074 488	**75 148 151**

37. Financial instruments disclosure

Categories of financial instruments

2019

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	557 783	557 783
Receivables from non-exchange transactions	764 126	764 126
Consumer Deposits	52 812 633	52 812 633
Eskom Deposits	520 469	520 469
Cash and cash equivalents	107 550 221	107 550 221
	162 205 232	**162 205 232**

Financial liabilities

	At amortised cost	Total
Payables from exchanges transactions	36 009 414	36 009 414
Consumer Depostis	1 368 883	1 368 883

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

37. Financial instruments disclosure (continued)

Unspent conditional grants	1 178 459	1 178 459
Provisions	285 568	285 568
	38 842 324	**38 842 324**

2018

Financial assets

	At amortised cost	Total
Receivables from exchange transations - *restated	557 783	557 783
Receivables from non exchange transactions	558 927	558 927
Consumer debtors	43 674 605	43 674 605
Eskom deposits	450 463	450 463
Cash and cash equivalents- *restated	68 645 417	68 645 417
	113 887 195	**113 887 195**

Financial liabilities

	At amortised cost	Total
Finance lease obligation	235 884	235 884
Payables from exchange transactions - *restated	31 433 870	31 433 870
Consumer deposits	1 399 552	1 399 552
Unspent conditional grants and receipts	1 801 783	1 801 783
Provisions	285 568	285 568
	35 156 657	**35 156 657**

38. Commitments

Authorised capital expenditure

	2019	2018
Already contracted for but not provided for		
• Property, plant and equipment	8 001 388	35 366 737
Total capital commitments		
Already contracted for but not provided for	8 001 388	35 366 737

Authorised operational expenditure

	2019	2018
Already contracted for but not provided for		
• Security	7 314 849	13 106 190
• Consulting and training	2 941 396	3 375 850
	10 256 245	**16 482 040**
Total operational commitments		
Already contracted for but not provided for	10 256 245	16 482 040

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

38. Commitments (continued)

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	5 865	906 316
- in second to fifth year inclusive	-	1 586 053
	5 865	**2 492 369**

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for an average term of 3 years. No contingent rent is payable.

39. Contingencies

Contingent Liabilities

Mohlalerwa & Boledi Construction
The municipality awarded the plaintiff a tender for the rehabilitation of an admin block. The plaintiff submitted an invoice which the municipality refused to settle on the basis that the contractor has already been paid for the work done.

The amount of potential liability remains at R 1 605 515 (2018/2019) and R 1 605 515 (2017/2018).

Phillip Mphahlele
The applicant was employed by the municipality and he resigned in 2009 pending criminal investigation by the Hawks.
The Hawks did not proceed with criminal case.
The Applicant alleges that the municipality coerced him to resign and that his character has been defamed as a result of the allegations which have been investigated by the Hawks.

The amount of potential liability is R 2 105 500 (2018/2019) and R 2 105 500 (2017/2018).

Department of Water and Sanitation
The Department of Water & Sanitation sued the municipality the amount of R10 785 216.11 for the provision of water services to the municipality. municipality entered appearance to defend after applicants brought summary judgment application which was successfully opposed and municipality granted leave to defend. Municipality filed exception further on the basis that the particulars of claim does not disclose cause of action and therefore frivolous. It is the municipality's argument that EPMLM is incorrectly cited as the municipality is not water authority as the municipality does not have any contract with DWA. It is further our submission that DWA did not follow IGR processes in pursuing this matter provided for by National Treasury's intergovernmental dispute resolutions.

The amount of the potential liability remains at R10 785 216.11 (2018/2019) and R10 785 216.11 (2017/2018).

Moses Mogotleng Kgopane
The plaintiff sued the municipality the amount of R 250 000 for pain and suffering, loss of future income & others allegedly for falling into a pit which was allegedly dug and left opened by the municipal officials. The municipality is sued as the second defendant. The incident allegedly occurred on the 14 June 2014.

The amount of the potential liability remains at R 1 00 000 (2018/2019) and R 1 000 000 (2017/2018). The matter is still in progress

Ramatlane Construction and projects CC
The municipality awarded the plaintiff a tender for the rehabilitation of Leeufontein Streets. The plaintiff submitted an invoice which the municipality did not settle.

The amount of potential liability is R 511 540.04 (2018/2019) and R 511 540.04 (2017/2018).

Alfred Mothoa

39. Contingencies (continued)

The plaintiff claims the municipal councillor has defamed his character and he claims he can no longer attend community meetings.

The amount of potential liability is R 160 000 (2018/2019) and R 160 000 (2017/2018) .

Contingent Assets

Inkonkeni Property Developers.

The municipality sued the plaintiff for the assets and development of the Extension 6. The legal process started during the 2017/2018 financial year and was actively persued. The court ruled in favour of the Municipality. The recovery of investment property amounts to R 35 930 000 and the transfer of the amount is indicated in the note for investment property and inventory.

The amount of the potential assset was estimated at approximately R 36 000 000 (2017/2018). The matter was concluded during 2018/2019.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

40. Related parties

Relationships	
Accounting Officer	Refer to accounting officer's report
Post employment benefit plan for employees	All qualifying employees
Members of key management	Refer to detail disclosure for Councillors Note 40 and Management Renumeration Note 26

Remuneration of Indvidual Councillors

2018

Employee Code	Initials	Surname	Salary	Allowances	Back pay	Contributions	Total
Mayor							
C000001	C	KUPA	622549.74	35400.00	25107.94	157255.32	840313.00
Speaker							
C000002	M	MOTHOGWANE	528334.92	35400.00	21886.44	95509.68	681131.04
Chief Whip							
C000003	L	MODISHA	371485.86	225795.37	21614.00	67155.36	686050.59
Executive							
C000009	M	MOTSEPE	396251.64	199251.98	21507.44	71632.32	688643.38
C000010	P	JACOBS	275054.04	38563.05	17011.20	49952.76	380581.05
C000011	G	MAKANYANE	371485.86	223241.61	21614.02	67155.36	683496.85
C000021	R	LENTSOANE	371485.86	214949.79	21614.00	67155.36	675205.01
C000023	M	MAKOLA	206290.50	116298.30	17364.74	37464.48	377418.02
Ordinary							
C000004	M	APHANE	167949.80	94284.52	15273.08	30225.24	307732.64
C000005	S	TEMA	166429.02	92498.56	15273.08	30225.24	304425.90
C000006	P	RANOTO	213583.50	115563.02	17050.68	38789.04	384986.24
C000007	M	KEKANA	166429.02	89693.08	15273.08	30225.24	301620.42
C000008	F	MATLALA	213583.50	110061.54	17050.68	38789.04	379484.76
C000012	F	MALOKA	166429.02	91298.13	15273.08	30225.24	303225.47
C000013	F	SEDIBANE	266979.48	38339.40	16776.24	48486.24	370581.36
C000014	R	MASHOESHOE	213583.50	125073.27	17050.68	38789.04	394496.49
C000015	M	MONAMA	166429.02	84349.68	15273.08	30225.24	296277.02
C000016	C	BOSHIELO	213583.50	115246.24	17050.68	38789.04	384669.46
C000017	T	MABASO	209768.43	97096.65	76000.37	46154.39	429019.84
C000018	L	MOLATUDI	213583.50	108412.65	17050.68	38789.04	377835.87
C000019	M	MASHIGO	208036.26	41897.65	15059.24	37781.52	302774.67
C000020	G	MOIMANA	164948.88	35400.00	14726.66	80868.90	295944.44
C000024	R	SEBOTHOMA	166429.02	88933.10	15273.08	30225.24	300860.44
C000025	P	MATJI	166429.02	89677.44	15273.08	30225.24	301604.78
C000026	D	MADILENG	166429.02	88646.37	15273.08	30225.24	300573.71
C000027	M	MANASOE	166429.02	88071.18	15273.08	30225.24	299998.52
C000028	L	MOHLALA	166429.02	88456.52	15273.08	30225.24	300383.86
C000029	N	SINDANA	166429.02	89705.14	15273.08	30225.24	301632.48
C000030	M	LENTSOANE	208036.26	35400.00	15059.24	37781.52	296277.02
C000031	M	PHEFADI	33662.84	4400.00	-	5940.50	44003.34
C000032	FJ	DE BEER	208036.26	35400.00	15059.24	37781.52	296277.02
C000034	E	TSHIGUVHO	198195.32	34113.68	13147.27	37677.32	283133.59
C000035	N	LETSELA	160100.38	47791.80	10039.49	28965.84	246897.51
Total			7700860.03	3018709.72	596844.81	1501141.23	12817555.79
Cellphone Data							571340.15
Total							13388895.94

2019

Employee Code	Initials	Surname	Salary	Allowances	Back pay	Contributions	Total
Mayor	-	-	-	-	-	-	-
C000003	MD	MOTHOGWANE	234 528.88	13 600.00	-	43 462.11	291 590.99
C000001	CR	KUPA	427 146.01	27 200.00	24 801.49	109 718.68	588 866.18
Speaker			-	-	-	-	-
C000002	LB	MODISHA	140 717.48	71 526.20	-	26 573.52	238 817.20
C000003	MD	MOTHOGWANE	362 618.29	27 200.00	8 173.86	67 509.18	465 501.33

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

40. Related parties (continued)

Chief Wip				-	-	-	-	-
C000013	FS	SEDIBANE		175 897.04	14 732.10	-7 110.55	32 608.30	216 126.89
C000002	LB	MODISHA		254 966.23	154 999.32	9 588.99	48 398.98	467 953.52
Executive				-	-	-	-	-
C000009	M	MOTSEPE		412 681.71	214 758.72	13 921.05	78 046.16	719 407.64
C000010	P	JACOBS		287 783.09	45 557.98	7 770.56	53 745.60	394 857.23
C000011	GN	MAKANYANE		386 888.99	229 076.11	13 928.25	73 359.75	703 253.10
C000021	RM	LENTSOANE		385 888.00	214 751.62	13 928.27	73 359.75	688 928.63
C000023	L	MAKOLA		215 837.31	132 704.04	7 770.56	41 123.98	397 435.89
Ordinary Councillors		-	-	-	-	-	-	-
C000001	C	KUPA		60 580.52	21 877.73	-	27 575.69	110 033.94
C000004	MA	APHANE		174 130.91	97 196.07	5 877.06	33 122.41	310 326.45
C000005	S	TEMA		174 130.91	98 865.33	5 877.06	33 165.06	312 038.36
C000006	P	RANOTO		223 467.73	109 659.32	7 197.15	42 376.63	382 700.83
C000007	M	KEKANA		174 130.91	94 632.32	5 877.06	33 122.41	307 762.70
C000008	F	MATLALA		223 467.73	117 976.76	7 541.92	42 380.08	391 366.49
C000012	F	MALOKA		174 130.91	100 507.17	5 877.06	33 122.41	313 637.55
C000013	F	SEDIBANE		184 086.28	28 788.40	7 541.92	34 418.78	254 835.38
C000014	H	MASHOESHOE		223 467.73	126 474.70	7 541.92	42 380.08	399 864.43
C000015	M	MONAMA		174 130.91	92 015.00	5 877.06	33 122.41	305 145.38
C000016	C	BOSHIELO		223 467.73	122 740.87	7 541.92	42 380.08	396 130.60
C000017	OT	MABASO		223 467.73	106 525.84	7 541.92	42 380.08	379 915.57
C000018	L	MOLATUDI		223 467.73	112 639.01	7 541.92	42 380.08	386 028.74
C000019	M	MASHIGO		217 663.68	46 467.70	5 877.06	40 759.38	310 767.82
C000020	G	MOIMANA		167 318.08	40 800.00	5 877.06	91 101.48	305 096.62
C000024	R	PHOKWANE		174 130.91	92 737.00	5 877.06	33 122.41	305 867.38
C000025	D	MATJI		174 130.91	100 291.28	5 877.06	33 190.60	313 489.85
C000026	D	MADILENG		174 130.91	97 417.72	5 877.06	33 190.60	310 616.29
C000027	M	MANASOE		174 130.91	93 528.31	5 877.06	33 190.60	306 726.88
C000028	L	MOHLALA		174 130.91	95 183.86	5 877.06	33 122.41	308 314.24
C000029	R	SINDANA		174 130.91	98 269.00	5 877.06	33 190.60	311 467.57
C000030	MC	LENTSOANE		217 663.68	42 133.53	5 877.06	40 759.42	306 433.69
C000032	FJ	DE BEER		217 663.68	40 800.00	5 877.06	40 759.42	305 100.16
C000034	EM	TSHIGUVHO		217 663.68	40 800.00	5 877.06	40 759.42	305 100.16
C000035	N	LETSELA		174 130.91	96 024.98	5 877.06	33 122.41	309 155.36
Total		-	-	-	-	-	-	13 120 661.04
Cellphone DATA		-	-	-	-	-	-	115 200.00
	-	-	-	-	-	-	-	-
Total		-	-	-	-	-	-	13 235 861.04

41. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: credit risk and liquidity risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Other debtors are items was the product of overpayments and transactions that resulted in debit balances on creditors payable by the municipality. These items will be investigated for recoverability and they are currently not impaired. These items will be reported to Council during the 2018/19 financial period. These items are currently deemed recoverable but have an inherint credit risk due to the nature of the item.

During the financial year VBS Mutual bank experienced financial difficulties which led to breach of contracts when some of the matured investments and deposits could not be honoured. The reserve bank has placed VBS Mutual bank under curatorship in 2018. The Municipality had a short term deposit of R 83 658 548.00. The Municipality accounts for short term deposits as financial assets carried at amortised cost. The curator and National Treasury have only guaranteed retail depositors up to R100 000 per depositor, corporate and Municipalities deposits are not guaranteed. The Municipality has impaired the total investment of R83 658 548.00 since there are no immediate and current cash flow is expected from the VBS Mutual bank Investment.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
VBS Bank - fully impaired on Statement of Financial Position and Statement of Financial Performance	83 658 548	83 658 548
Receivables from exchange transactions - Consumer receivables not impaired -Restated	557 783	557 783

42. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus of R 1 002 037 928 and that the municipality's total liabilities exceed its assets by R 1 002 159 030.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

During the financial year VBS Mutual bank experienced financial difficulties which led to breach of contracts when some of the matured investments and deposits could not be honoured. The reserve bank has placed VBS Mutual bank under curatorship in 2018. The Municipality had a short term deposit of R 84 073 833.00. The Municipality accounts for short term deposits as financial assets carried at amortised cost. The curator and National Treasury have only guaranteed retail depositors up to R100 000 per depositor, corporate and Municipalities deposits are not guaranteed. The Municipality has impaired the total investment of R84 076 833.00 since there are no immediate and current cash flow is expected from the VBS Mutual bank Investment.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

43. Unauthorised expenditure

Unauthorised expenditure	-	-

44. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure Opening Balance	197 325	44 224
Amount written off by Council - Opening balance	-	(44 224)
Amount written off by Council - Additional	-	(12 114)
Add: Fruitless and wastefull expenditure for the financial period	33 838	209 439
	231 163	**197 325**

The opening balance of the fruitless and wasteful relate to 2016/17 which was condoned by council. MPAC investigated fruitless and wasteful expenditure as delegated by council, They concluded that none occurred as a result of deliberate wrong doing or negligence and recommended to council to write off. It was results interest on invoices of Eskom and Telkom, and also erratum issued for advertisements. Council wrote off fruitless and wasteful expenditure.

The 2017/18 year fruitless and wasteful expenditure of R12114 was referred to MPAC for further investigation. MPAC investigated fruitless and wasteful expenditure as delegated by council, They concluded that none occurred as a result ofdeliberate wrong doing or negligence and recommended to council to write off. Council condoned the expenditure as recommended by MPAC

The 2018/19 year fruitless and wasteful expenditure of R33 838 was not yet referred to MPAC for further investigation. MPAC investigated fruitless and wasteful expenditure as delegated by council.

Fruitless and wasteful expenditure consists of

Interest on overdue accounts	-	12 114
Misuse of fuel cards	197 325	197 325
Interest on Eskom Accounts	31 493	-
Interest on Telkom Accounts	2 345	-
Written off by Council	-	(12 114)
	231 163	**197 325**

45. Irregular expenditure

Opening balance	20 966 377	3 693 088
Add: Irregular Expenditure - current year	17 709 261	20 966 377
Less: Amounts written off by Council	(38 675 638)	(3 693 088)
Add: Irregular Expenditure by court order	864 746	-
	864 746	**20 966 377**

Analysis of expenditure written off per age classification

Current year	17 709 261	20 966 377
Prior years	20 966 377	-
	38 675 638	**20 966 377**

Figures in Rand	2019	2018

45. Irregular expenditure (continued)

Details of irregular expenditure for 2017/18

Advert did not run for 30 days	951 395	
Supplier paid more than contract amount	261 086	
Unfair Practice - Bidder was appointed without original documentation	370 108	
Local content threshold not indicated on the advert	1 136 197	
Three quotations not received from advert	241 288	
Payment made to expired contract	647 971	
Bid adjudication committee did not consist of four senior managers to appoint contracts	16 880 410	
Local content threshold not met by supplier	477 926	
	20 966 381	

Details of irregular expenditure for 2018/19

Bid adjudication committee did not consist of four senior managers to appoint contracts	17 677 222	
Local content threshold not met by supplier	34 058	
Court ruled that the project should be readvertised in terms of the scm policy	864 746	
	18 576 026	

The 2017/18 year irregular expenditure of R20 966 380 was referred to MPAC for further investigation and was written off by Council on 28 August 2019.

The 2018/19 year irregular expenditure of R 18 576 026 was also referred to MPAC for further investigation and was written off by Council on 28 August 2019 except for and amount of R 864 745.87 that was referred back for further investigation.

46. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	993 535	823 217
Amount paid - current year	(993 535)	(823 217)
	-	-

Audit fees

Current year subscription / fee	3 370 797	3 456 614
Amount paid - current year	(3 370 797)	(3 456 614)
	-	-

PAYE and UIF

Current year subscription / fee	11 609 697	11 914 307
Amount paid - current year	(11 609 697)	(11 914 307)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

46. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Current year subscription / fee	20 874 823	21 499 113
Amount paid - current year	(20 874 823)	(21 499 113)
	-	-

VAT

VAT receivable	36 973 830	33 200 874
VAT payable	(35 744 987)	(33 289 476)
	1 228 843	**(88 602)**

VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

No councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

Supply chain management regulations

IParagraph 36(2) of SCM regulation states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that the accounting officer records the reasons for any deviations and then reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.
In terms of section 36(1)(a) of the Supply Chain Management Regulations, the accounting officer may dispense with the official procurement processes in the following instances:

- Sole suppliers
- Emergency
- Impracticality

In terms of section 36 of the Municipal Supply Chain Management Regulations, any deviation from the supply chain management policy needs to be approved/condoned by the accounting officer and noted by Council. Deviations from the official procurement process during the financial year were approved by the accounting officer and noted by council in terms of the delegations as stipulated in the Supply Chain Management Policy and amount to approximately the following:

Incident		
Sole Provider supplier	372 246	18 674
Impossible or impracticable to follow procedure	1 500 137	448 334
Emergency supplies	352 367	1 146 279
	2 224 750	**1 613 287**

47. Budget differences

Material differences between budget and actual amounts

1. Budget provision for the sale of goods was budgeted for under other income.

2. Variance between budget and actual of service charges is a result of classification on levies which was disclosed as seperate line item.

3. The variance is immaterial.

4. The department of transport managed to fix revenue generating equipment that were not in an unusable condition, hence the increase in revenue.

5. Variance is as a results of other revenue collected less than anticipated.

6. Variance between actual and budgeted interest received is due to the culture of non-payment of municipal services by consumers.

7. Variance is as a result of continued data cleansing and supplementary valuation roll.

8. Variance is caused by unspent MIG Grant. The municipality spent 96% on MIG

9. The budget for levies was included in the budget for service charges.

10. Variance is as a result of budgeting fines on cash basis whereas the actual figures are on accrual basis.

11. Variance is as a results of vacant positions, and salary reductions of workers who were on unprotected strikes.

12. Councilor's remuneration is based on government gazette on upper limits for councilors

13. Variance is as a result of budgeting on non-cash items.

14. Variance is as a result of non-cash items such as interest on landfill sites.

15. Variance is as a results of operating lease which was budgeted under General expenditure

16. Variance is as a result of overestimation of bad debts written off.

17. Repair and maintenance are done as and when need arises the variance is the saving.

18. Less electricity was purchased by our customers than what was anticipated

19. The variance is as a result of the reclassifying of expenditure on contracted services to general expenses.

20. Free basic electricity paid was more that the target

21. Variance is caused by incorrectly budgeting for separate line items inside general expenditure

22. Variance is caused by incorrectly budgeting for separate line items inside general expenditure

23. . Actuarial Gain/ (Losses) variance arises as a results of budgeting it under general expenditure instead of a separate line iterm.

24. The variance in total assets is caused by underestimate in budget.

47. Budget differences (continued)

25. The variance in total liabilities is caused by underestimate in budget

26. The variance is coused by underestimate in total assets and total liabilities

27. The variance on the operating activities is as a result of savings on supplier's payment.

28. The variance on the investing activities is as a result of spending on capital expenditure.

29. The variance on financing activities is as a result of paying finance leases

30. The variance is result of more estimate on cash and cash equivalents at the beginning of the year.

48. Prior period errors

Below is a summary of the total effect that the prior period errors and reclassifications of comparatives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.

Statement of financial performance **Revenue**	Balance as previously reported	Reclassification	Prior period error 2017/18	Reclassification
Service charges (4)	257 711	-	257 711	-
Licenses and permits (5)	(211 381)	-	(211 381)	-
	46 330	**-**	**46 330**	**-**
Expenses				
Depreciation and amortisation	(951 316)	-	(951 316)	-
	(951 316)	**-**	**(951 316)**	**-**

Statement of financial position **Current assets**	Balance as previously reported	Reclassifications	Prior period error 2017/18	Prior Period Error 2016/17
Receivables from exchange transactions (4)	(257 711)	-	(257 711)	-
Cash and cash equivalents(1)	(79 359)	(79 359)	-	-
	(337 070)	**(79 359)**	**(257 711)**	**-**
Non-current assets				
Property plant and equipment - restatement	5 330 914	-	5 330 914	4 379 596
Property, plant and equipment (2)	34 841	-	34 841	-
	5 365 755	**-**	**5 365 755**	**4 379 596**
Current liabilities				
Payables from exchange transactions- Trade Payables (3)	(860 745)	-	(860 745)	(860 725)
Payables from exchange transactions- Trade Payables (1)	(79 359)	(79 359)	-	-
Payables from exchange transactions- Retention (2)	34 841	-	34 841	-
Payables from exchange transactions- License (5)	(211 381)	-	(211 381)	-
	(1 116 644)	**(79 359)**	**(1 037 285)**	**(860 725)**

48. Prior period errors (continued)

Net assets				
Accumulated suplus on restatement of assets	4 379 596	-	4 379 596	4 379 596
Accumulated surplus - opening balance	814 395	-	814 395	860 725
Change in depreciation	951 316	-	951 316	-
	6 145 307	-	**6 145 307**	**5 240 321**

1. Cash and cash equivalents

During the process of investigating and addressing the reconciling items outstanding on the 30 June 2018 bank reconciliation it was fount that one of the amounts mapped in he bank account was actually for creditors movement. This error was corrected in 2019 by remapping the creditors movment account to the payables from exchange transactions - trade payable section. This resulted in a reduction in bank account of R 79 843 and an decrease in trade payables of R 79 843. The error stemmed from incorrect journal processing due to first year mscoa implementation.

2. Retention underprovided

The amount indicated for retention was adjusted as an amount of R 34 851.51 was not provided for during the 2017/18 financial year. This resulted in an amount of additional additions in infrasturcture assets of R 34 851.51 and additional retention as indicated in note 15 for retentions as part Trade payables from exchange transactions.

3. Payables from exchange transactions

Trade payables adjustments on mscoa created a duplicate adjustment of trade payables for the 2017/18 financial period. This resulted in trade payables being understated. The correction of these journals created a reduction of trade payables and increase in accumulated surplus of R 860 724.50 for 2017/18. The error stemmed from incorrect journal processing due to first year mscoa implementation. This was part of the unadjusted audit differences for 2017/18.

4. Overstatement of pre paid revenue.

A reconciliation of pre paid electricity for 2017/18 indicated that the revenue for pre paid electricity sales was overstated by an amount of R 257 711 for the 2017/18 financial year and that these sales were in fact atttributable to the 2016/17 financial period. This created an overstatement of pre paid sundry debtors of R 257 711 and Services rendered revenue of R 257 711 for 2017/18. The relevant reduction in debtor and revenue was adjusted to accumulated surplus and trade and other receivables for the 2016/17 financial period. This was part of the unadjusted audit differences for 2017/18. Note no 4 and 5

5. Trade and other payables - license fees

During the review for 2017/18 it was found that the revenue for licenses and permits was understated with R 211 381 and the relevand payble from exchange License and Motor vehicle agency function was overstated with R 211 381. This was corrected and resulted in a reduction of R 211 381 in the trade paybles for 2017/18 and increase of R 211 381 for the agency function - license and permits. This was part of the unadjusted audit differences for 2017/18.

6. Property, plant and equipment - restatement of useful life of assets

The property plant and equipment useful lifes of assets was reviewed for assets without remaining useful life and that was valued at R1 or zero carrying values. These assets have been restated to account for the fact that they were still in use and the assesed useful lifes were restated to 2017. These assets made an increase of R 4 379 596 in accumulated surplus and decrease in accumulated depreciation for these assets. The reduction is detailed in note 13 Property plant and equipment. The restated amount also created a reduction in depreciation of R -951316.14 for the 2017/18 financial year.

49. Intangible assets

Reconciliation of intangible assets - 2019

Notes to the Annual Financial Statements

Figures in Rand

49. Intangible assets (continued)

Reconciliation of intangible assets - 2018

Pledged as security

Carrying value of intangible assets pledged as security:

Used to secure (borrowings) (banking facilities) (other : specify) granted to the municipality of R - (2018: R -).- refer to note .

Used to secure (borrowings) (banking facilities) (other : specify) granted to the municipality of R - (2018: R -).- refer to note .

50. Impairment of assets

Impairments		
Other financial assets		
VBS Impairment of investment as per note 3	-	83 658 548

No additional information was received from the Provincial Gogernment and the curator of the VBS Mutual Bank. Management assessed the impairment and concluded that the impairment is still valid and applicable for the 2018/19 financial year.